

Preferred Holdings Limited

Report and financial statements

30 November 2011

Registered No 419096

WEDNESDAY



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COMPANIES HOUSE

Preferred Holdings Limited

Directors

A Brereton

R Harper

Auditors

Ernst & Young LLP

1 More London Place

London

SE1 2AF

Registered Office

Level 23

25 Canada Square

London

E14 5LQ

Directors' Report

The Directors present this report and the financial statements for Preferred Holdings Limited for the year ended 30 November 2011

Principal activities

The principal activity of the Company is that of a holding company and the Company currently holds the entire share capital of Preferred Group Limited. The principal activity of the Company's group is the provision of loans secured on properties in the United Kingdom.

Business review and future developments

The Company has not traded during the year. In the year ended 30 November 2011 the Company's expenses were paid by a subsidiary company, Preferred Mortgages Limited.

On 2 April 2008 Preferred Mortgages Limited announced a suspension of its mortgage lending activities.

On 29 August 2008 the Company resolved to increase the issued share capital to £25,004,954 by the creation of 250,000,000 10p ordinary shares. The additional shares were fully allotted, issued and paid up by Resefan Limited. The Company used the additional capital to invest in further £25,000,000 £1 ordinary shares in Preferred Group Limited.

On 15 September 2008, the ultimate parent company, Lehman Brothers Holdings Inc., filed for Chapter 11 bankruptcy protection.

The Directors believe the Company's activities will remain unchanged for the foreseeable future.

The Company received no dividend from Preferred Group Limited (2010 £nil).

Results

The results for the year are shown in the profit and loss account on page 8.

Directors

The Directors, who held office during the year, and after the year end, were as follows:

A Brereton
R Harper

Dividend

The Directors do not recommend the payment of a dividend for the year (2010 £nil).

Directors' Report

Going concern

The Company's business activities together with the factors likely to affect its future development, performance and position are set out in the Business review and future developments section of this report. In addition, the Company's financial risk management policies and objectives are set out in the Principal risks and uncertainties section of this report.

On 15 September 2008, the ultimate parent undertaking, Lehman Brothers Holdings Inc., filed for Chapter 11 bankruptcy protection.

On 23 September 2008, an intermediate parent company Mable Commercial Funding Limited (in administration) was placed into administration.

On 23 September 2008, the principal funder of the Resetfan Limited Group (Resetfan Limited an intermediate parent company), Storm Funding Limited (in administration), was placed into administration.

The Directors continue to prepare the financial statements on a going concern basis as they believe the Company has sufficient net assets to continue in its activities for the foreseeable future. In addition Preferred Mortgages Limited, the Company's subsidiary undertaking, has agreed to provide support for the ongoing running costs of the Company as would be required to enable the Company to meet its future obligations as they fall due. However, Preferred Mortgages Limited continues to have amounts owed to group and related undertakings that are payable on demand. These amounts are primarily owed to Storm Funding Limited (in administration) and whilst the Joint Administrators for Storm Funding Limited (in administration) have confirmed that they have no current intention to demand payment of the debt in the immediate future, the Directors recognise there is a material uncertainty over whether Storm Funding Limited (in administration) will demand repayment of the debt in the next 12 months which could accelerate the wind down of the Company's business.

Based on the current situation the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the Directors have concluded that the above circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Nevertheless, after making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Company is able to continue in operational existence for the foreseeable future given the current availability of funding. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern. The financial statements have been prepared in accordance with the accounting policies adopted in the prior year, as set out in note 1 'Accounting Policies'.

Policy and practice on payment of creditors

The Company does not follow any stated code on payment practice. It is the Group's policy to agree terms of payment with suppliers when agreeing the terms of each transaction and to abide by those terms. Standard terms provide for payment of all invoices within 30 days after the date of the invoice, except where different terms have been agreed with the supplier at the outset. It is the policy of the Group to abide by the agreed terms of payment. There are no creditors' days of suppliers' invoices outstanding at the year end (2010: nil days).

Principal risks and uncertainties

Financial instrument risks

The financial instruments held by the Company comprise borrowings, investments and receivables that arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Directors' Report

Principal risks and uncertainties (continued)

Credit risk

Credit risk is the risk that intercompany debtors will not be able to meet their obligations as they fall due. The ongoing credit risk of these obligations is monitored by the Directors.

Liquidity risk

Liquidity risk is the risk that investment income receivable by the Company will not arise on a timely manner to meet the Company's obligations as they fall due. The ongoing liquidity risk is closely monitored by the Directors.

Disclosure of information to the auditors

So far as the Directors at the date of approving this report are aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditors, the Directors have taken all the steps that they are obliged to take as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

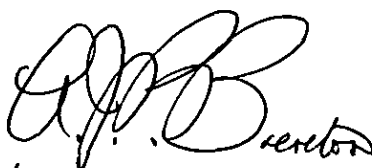
A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the next Annual General Meeting.

Approved by the board of Directors and signed on behalf of the board

Tony Brereton

Director

Date


17/10/2012

Statement of directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Preferred Holdings Limited

We have audited the financial statements of Preferred Holdings Limited for the year ended 30 November 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies in the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 November 2011,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The conditions explained in note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

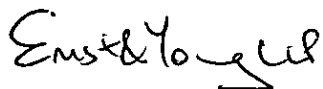
Independent auditors' report

to the members of Preferred Holdings Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Amarjit Singh (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date 19 OCTOBER 2012

Profit and loss account

for the year ended 30 November 2011

| | <i>Notes</i> | <i>2011 £000</i> | <i>2010 £000</i> |
|--|--------------|----------------------|----------------------|
| Operating expenses | | <u>—</u> | <u>—</u> |
| Profit/ (loss) on ordinary activities before taxation | 2 | — | — |
| Tax on profit/ (loss) on ordinary activities | 4 | <u>—</u> | <u>—</u> |
| Profit/ (loss) on ordinary activities after taxation | 9 | <u>—</u> | <u>—</u> |

All of the activities are continuing activities and there are no other gains or losses recognised in the current financial statements other than those stated in the profit and loss account

The notes on pages 10 to 14 form part of these financial statements

Balance sheet

at 30 November 2011

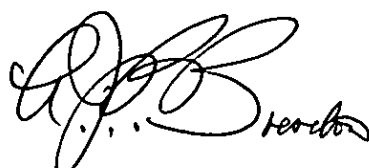
| | Notes | 2011 £000 | 2010 £000 |
|--|-------|--------------|--------------|
| Fixed assets | | | |
| Investments | 5 | 25,000 | 25,000 |
| Current assets | | | |
| Debtors | | | |
| Amounts falling due within one year | 6 | 368 | 368 |
| Cash at bank and in hand | | — | — |
| Total current assets | | 368 | 368 |
| Creditors amounts falling due within one year | 7 | (323) | (323) |
| Net current assets | | 45 | 45 |
| Total assets less current liabilities | | 25,045 | 25,045 |
| Net assets | | 25,045 | 25,045 |
| Capital and reserves | | | |
| Called up share capital | 8 | 25,005 | 25,005 |
| Share premium | 9 | 490 | 490 |
| Profit and loss account | 9 | (450) | (450) |
| Shareholder's funds | 10 | 25,045 | 25,045 |

The notes on pages 10 to 14 form part of these financial statements

These financial statements were approved by the board of Directors and were signed on its behalf by

Tony Brereton
Director

Date


 17/10/2012

Notes to the financial statements

at 30 November 2011

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards generally accepted in the United Kingdom and have been drawn up on the historical cost convention. The financial statements have been prepared on a going concern basis.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review and future developments section of this report. In addition, the Company's financial risk management policies and objectives are set out in the Principal risks and uncertainties section of this report.

On 15 September 2008, the ultimate parent undertaking, Lehman Brothers Holdings Inc., filed for Chapter 11 bankruptcy protection.

On 23 September 2008, an intermediate parent company Mable Commercial Funding Limited (in administration) was placed into administration.

On 23 September 2008, the principal funder of the Resefan Limited Group (Resefan Limited an intermediate parent company), Storm Funding Limited (in administration), was placed into administration.

The Directors continue to prepare the financial statements on a going concern basis as they believe the Company has sufficient net assets to continue in its activities for the foreseeable future. In addition Preferred Mortgages Limited, the Company's subsidiary undertaking, has agreed to provide support for the ongoing running costs of the Company as would be required to enable the Company to meet its future obligations as they fall due. However, Preferred Mortgages Limited continues to have amounts owed to group and related undertakings that are payable on demand. These amounts are primarily owed to Storm Funding Limited (in administration) and whilst the Joint Administrators for Storm Funding Limited (in administration) have confirmed that they have no current intention to demand payment of the debt in the immediate future, the Directors recognise there is a material uncertainty over whether Storm Funding Limited (in administration) will demand repayment of the debt in the next 12 months which could accelerate the wind down of the Company's business.

Based on the current situation the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the Directors have concluded that the above circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Nevertheless, after making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Company is able to continue in operational existence for the foreseeable future given the current availability of funding. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Group financial statements and schedule 5 disclosures

The Company as a parent undertaking is required to prepare group financial statements by section 399 of the Companies Act 2006 and Financial Reporting Standard 2 Accounting for Subsidiary Undertakings. The Company has claimed exemption from preparing group financial statements under section 400 of the Companies Act 2006 as it is itself a subsidiary undertaking and will be included in the group financial statements of Resefan Limited.

Notes to the financial statements

at 30 November 2011

1 Accounting policies (continued)

Fixed asset investments

In the Company's financial statements investments in subsidiary undertakings are stated at cost, less any necessary provision for diminution in value. The carrying value of investments in subsidiaries is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be objective.

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transaction or events that result in an obligation to pay more, or a right to pay less tax in the future, have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that the Directors consider it is more likely than not that there will be suitable taxable profits from which the reversal of the underlying timing differences can be deducted. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Cash Flow Statement and Related Party Disclosure

The Company has taken advantage of the exemption under FRS 1 (revised), "Cash Flow Statement" and has not produced a Cash Flow Statement, since it is a wholly owned subsidiary and its immediate parent undertaking, Resetfan Limited, prepares consolidated financial statements that are publicly available. The Company is also exempt under the terms of FRS 8 "Related Party Disclosures" from disclosing related party transactions with entities that are part of the Resetfan Limited group.

2 Loss on ordinary activities before taxation

The auditors' remuneration of £10,000 (2010: £9,500) is borne by the Company's subsidiary undertaking Preferred Mortgages Limited, and is disclosed in the financial statements of that company.

3. Information regarding directors and employees

The Company has no employees (2010: none). The Directors received no remuneration from the Company during the year (2010: £nil). Directors' remuneration for the services to the Company is paid for by Resetfan Limited and is disclosed in the financial statements of that company.

4. Tax on profit/ (loss) on ordinary activities

(a) The tax charge of £300 is made up as follows:

| | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| <i>Current tax</i> | | |
| UK corporation tax on profit/ (loss) in the year | — | — |
| Total current tax (note 4(b)) | — | — |

Notes to the financial statements

at 30 November 2011

4. Tax on profit/ (loss) on ordinary activities (continued)

(b) Factors affecting the tax charge in the year

The tax assessed for the year differs from the standard rate for current corporation tax in the UK of 26.67% (2010 28%). The differences are explained below

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| Profit / (loss) on ordinary activities before tax | – | – |
| Profit/ (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.67% (2010 28%) | – | – |
| <i>Effects of</i> | | |
| Other | – | – |
| Expenses not deductible for tax purposes | – | – |
| Current tax charge for the year (note 4(a)) | – | – |

Legislation was introduced in the Finance Act 2011 to reduce the main rate of corporation tax from 28% to 26% with effect from 1 April 2011. A further reduction in the UK corporation tax rate from 26% to 24% was substantively enacted in March 2012 and will be effective from 1 April 2012. The effect of this reduction is reflected in the deferred tax asset not recognised disclosed in the accounts. In addition to this rate reduction the Government announced its intention to further reduce the UK corporation tax rate to 23% from 1 April 2013 and then to 22% from 1 April 2014.

5 Investments

| Cost | 2011 £ | 2010 £ |
|---|------------|------------|
| At beginning of year | 25,000,000 | 25,000,000 |
| Additional investment in subsidiary during the year | – | – |
| Cost at the end of the year | 25,000,000 | 25,000,000 |

Notes to the financial statements

at 30 November 2011

5 Investments (continued)

Details of investments in which the Company holds 20% or more of the nominal value of any class of Share Capital are as follows

| <i>Subsidiary undertakings</i> | <i>Country of incorporation</i> | <i>Principal Activity</i> | <i>Class</i> | <i>Class and percentage of ordinary shares held</i> |
|--|---------------------------------|---------------------------|--------------|---|
| Preferred Group Limited | England and Wales | Holding company | Ordinary £1 | 100% |
| Preferred Mortgages Limited* | England and Wales | Mortgage Lender | Ordinary £1 | 100% |
| Preferred Funding Five Limited* | England and Wales | Warehousing company | Ordinary £1 | 100% |
| Preferred Mortgages Residuals One Limited* | England and Wales | Investment company | Ordinary £1 | 100% |
| Preferred Mortgages Residuals 2 Limited* | England and Wales | Investment company | Ordinary £1 | 100% |

*held indirectly

6 Debtors: amounts falling due within one year

| | <i>2011 £000</i> | <i>2010 £000</i> |
|------------------------------------|----------------------|----------------------|
| Amounts owed by group undertakings | 368 | 368 |
| | <u>368</u> | <u>368</u> |

7 Creditors: amounts falling due within one year

| | <i>2011 £000</i> | <i>2010 £000</i> |
|------------------------------------|----------------------|----------------------|
| Amounts owed to group undertakings | 323 | 323 |
| | <u>323</u> | <u>323</u> |

8 Issued share capital

| | <i>2011 £</i> | <i>2010 £</i> |
|-----------------------------|-------------------|-------------------|
| <i>Issued</i> | | |
| Deferred shares of 1p each | 169 | 169 |
| Ordinary shares of 10p each | 25,003,193 | 25,003,193 |
| Ordinary shares of 1p each | 1,592 | 1,592 |
| | <u>25,004,954</u> | <u>25,004,954</u> |

Each ordinary share carries the right to one vote at general meetings of the Company and ranks *pari passu* for all other purposes regardless of the price they were issued

Notes to the financial statements

at 30 November 2011

9 Movements on reserves

| | <i>Share premium account £000</i> | <i>Profit and loss account £000</i> | <i>Total £000</i> |
|--------------------------------------|---|---|-----------------------|
| Balance at 1 December 2010 | 490 | (450) | 40 |
| Retained profit/ (loss) for the year | – | – | – |
| Balance at 30 November 2011 | 490 | (450) | 40 |

10. Reconciliation of shareholder's funds

| | <i>2011 £000</i> | <i>2010 £000</i> |
|---------------------------------------|----------------------|----------------------|
| Profit/ (loss) for the financial year | – | – |
| Net decrease to shareholder s funds | – | – |
| Opening shareholder s funds | 25,045 | 25,045 |
| Closing shareholder s funds | 25,045 | 25,045 |

11 Ultimate parent undertaking

The Company is controlled by its immediate parent undertaking, Resetfan Limited, which is registered and operates in the United Kingdom

The ultimate parent undertaking of Preferred Holdings Limited is Lehman Brothers Holdings Inc , which is incorporated in the State of Delaware in the United States of America On 15 September 2008, Lehman Brothers Holdings Inc , filed for Chapter 11 bankruptcy protection

The largest and smallest group in which the results of the Company are consolidated is that headed by Resetfan Limited, registered in England and Wales The financial statements of the Resetfan Limited group are available from 23rd Floor, 25 Canada Square, London E14 5LQ

Balance Sheet

at 30 November 2011

| | Notes | 2011 £000 | 2010 £000 |
|--|-------|--------------|--------------|
| Fixed assets | | | |
| Investments | 5 | 16,390 | 16,390 |
| Current assets | | | |
| Debtors amounts falling due within one year | 6 | 9,832 | 9,790 |
| Cash | | - | - |
| | | 9,832 | 9,790 |
| Total current assets | | 9,832 | 9,790 |
| Creditors amounts falling due within one year | 7 | (412) | (484) |
| Net current assets | | 9,420 | 9,306 |
| Total assets less current liabilities | | 25,810 | 25,696 |
| Net assets | | 25,810 | 25,696 |
| Capital and reserves | | | |
| Called up share capital | 8 | 25,000 | 25,000 |
| Capital contribution | 9 | 24,287 | 24,287 |
| Profit and loss account | 9 | (23,477) | (23,591) |
| Shareholder's funds | 10 | 25,810 | 25,696 |

The notes on pages 9 to 15 form part of these financial statements

The financial statements were approved by the board of Directors and were signed on its behalf by

Tony Brereton
Director



Date

17/10/2012